

The New Hires Quality Index

Brad Hershbein

W.E. Upjohn Institute for Employment Research

October 11, 2017

- Much timely (monthly) government data on number of new jobs
 - By industry, not occupation or much else
- There are also considerable wage data for workers
 - Almost always for incumbents, not new hires
- Result is that we don't know much about the “quality” of new jobs

- Understanding characteristics of new jobs, and workers in them, of key concern
 - An important coincident, and perhaps leading, indicator
 - Provides insight into cyclical labor markets
 - Can shed light on structural changes in skill demand
- Of new jobs created last month, how “good” were they?
 - Wage is often a useful summary statistic
 - Occupation—what you do—matters to wage more than industry—where you do it
- **Goal: Create a new index of job hires quality**



National Employment Law Project

DATA BRIEF

April 2014

The Low-Wage Recovery:

Industry Employment and Wages Four Years into the Recovery

Most jobs added in Boston since recession called low-paying

By Katie Johnston | GLOBE STAFF SEPTEMBER 22, 2015

Many of the job gains have come in low-paying sectors such as food service, home health care, and janitorial services, while higher-paying fields such as information services, have not grown as rapidly.

The Washington Post

The ‘low-wage recovery’ is a myth

To do this, she divided businesses into three groups by their pay. Today’s average hourly pay is \$25. Low-paying employment is dominated by restaurant and hotel jobs (2015 average hourly rate: \$14.12) and retail jobs (\$17.21). Midlevel jobs include manufacturing (\$23.90), health care and education (\$24.97) and construction (\$26.91). Finally, high-paying jobs included professional and business services (\$29.59), finance (\$31.10) and utilities (\$36.02).

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The New York Times

The Upshot

EVERYDAY ECONOMICS

Justin Wolfers @JustinWolfers

There are many highly paid managers working in the low-paid retail trade sector, just as there are many low-paid janitors working in the high-paid professional services sector

Figuring out whether the recovery is creating “good jobs” or “bad jobs” requires looking deeply into skill levels and job responsibilities

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Exactly. Why not do this?

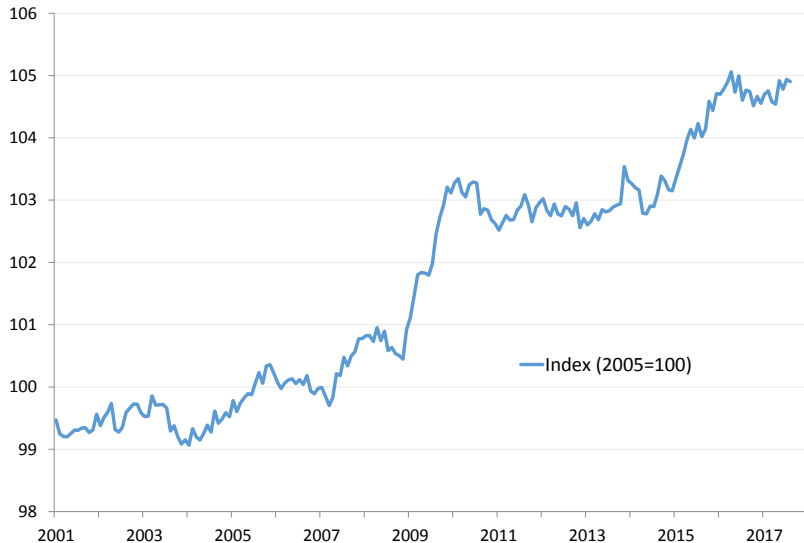
Upjohn Institute New Hires Quality Index (NHQI)

- New monthly index tracks “quality” of new job hires (2001 →)
- Uses Current Population Survey (CPS), the same source used to track the unemployment rate, to identify new hires:
 - those switching in adjacent months from non-employment to employment
 - those changing employers
- Occupations in CPS merged with wage data from Occupational Employment Statistics
- Resulting index shows change in realized skill demand through *changes in occupation mix* of new hires
 - Adjust for demographics, but not within-occupation skill changes
- Also yields hire volume, and index for many subgroups

Summary of findings

- 1 Hourly wage index is up nearly 5 percent from 2005

New Hires Quality Index: Hourly Wages



SOURCE: Upjohn Institute New Hires Quality Index

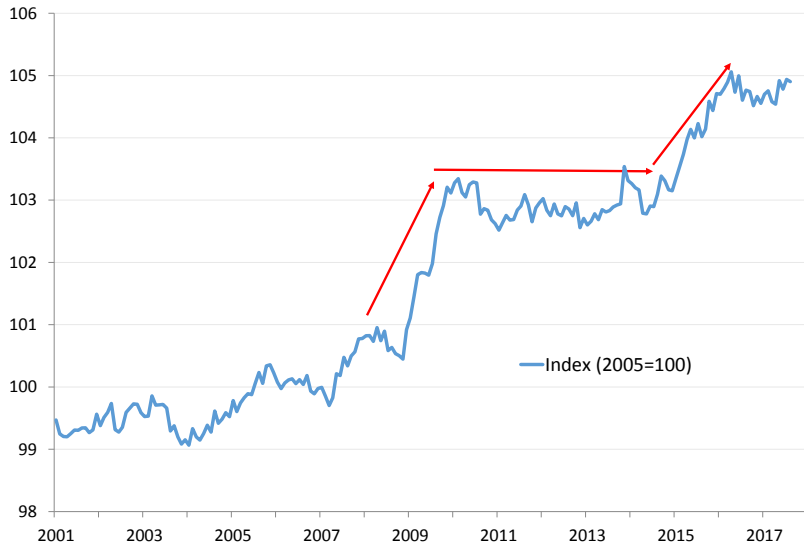
NOTE: Wage index is based on a 12-month lagged moving average of monthly data

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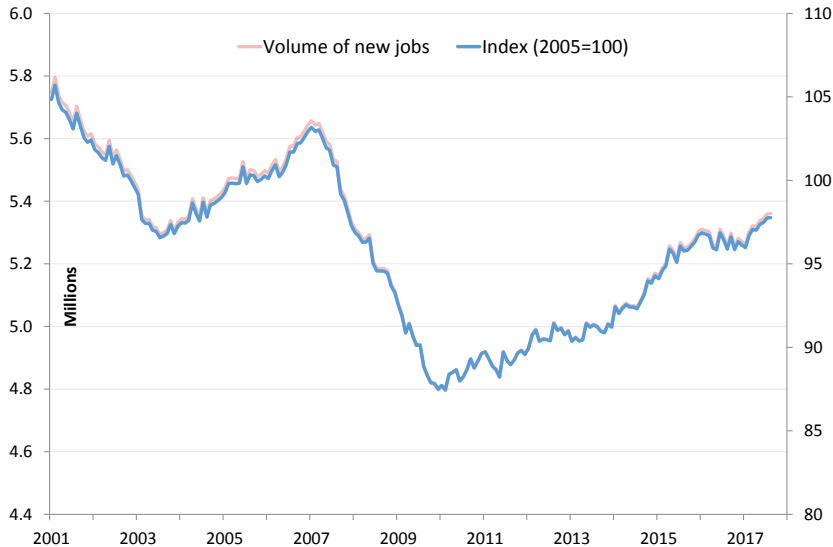
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New Hires Quality Index: Monthly Volume

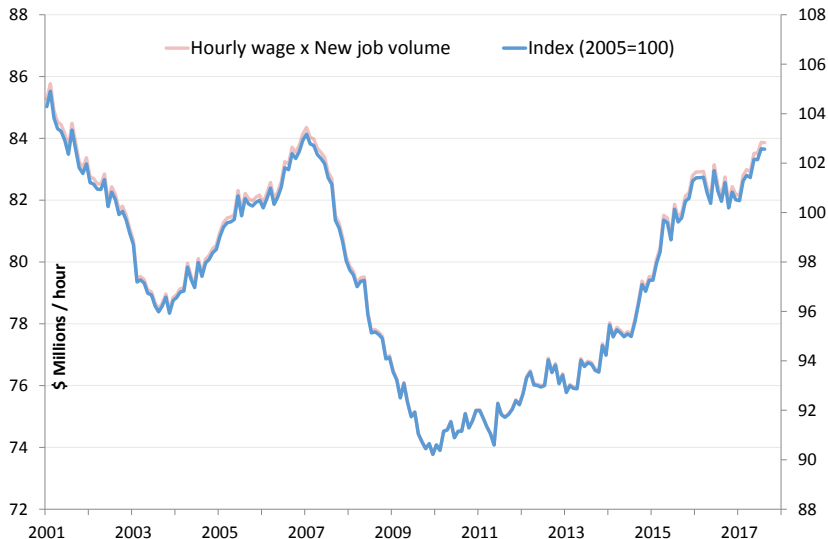


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New Hires Quality Index: Monthly Wage Bill

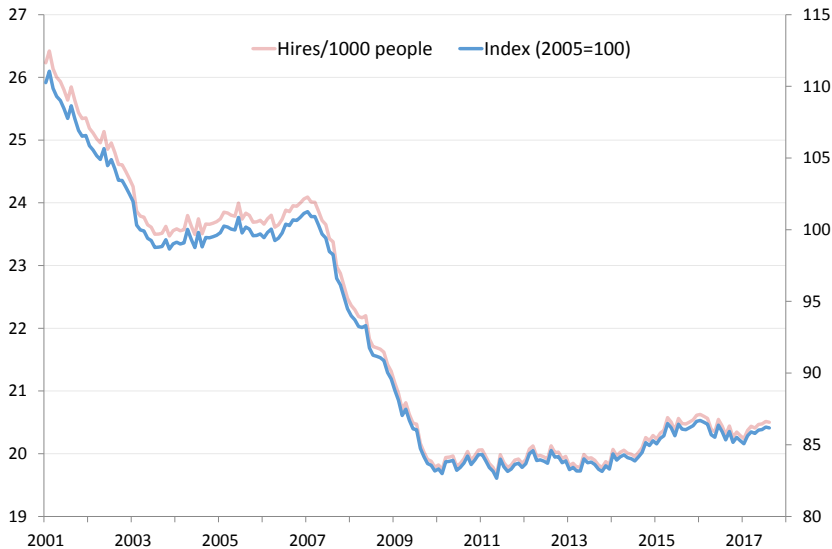


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New Hires Quality Index: Hires per capita



SOURCE: Upjohn Institute New Hires Quality Index

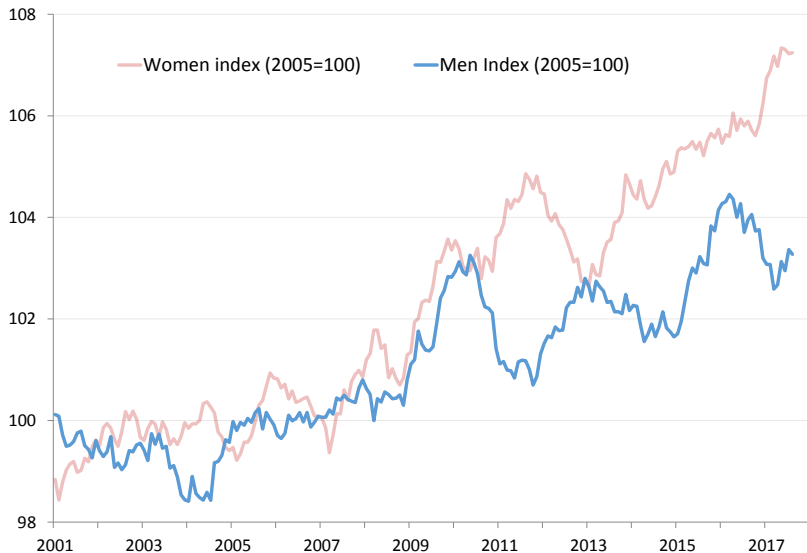
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New Hires Quality Index: Women and Men

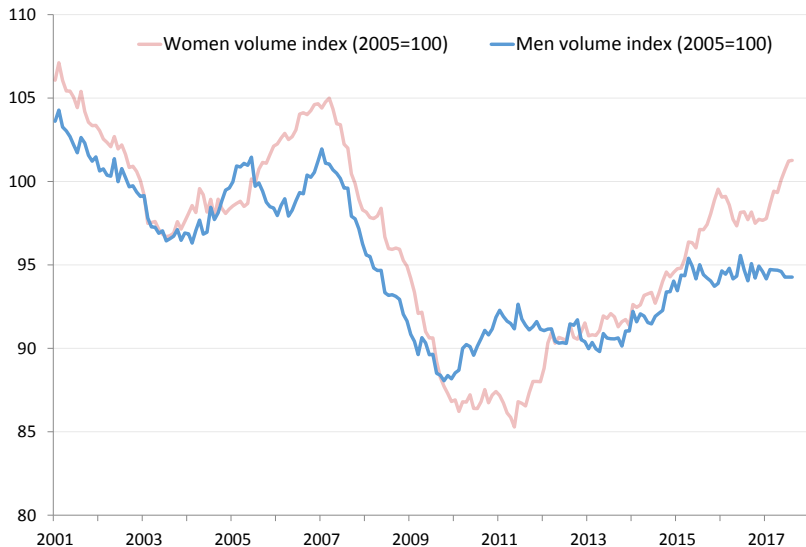


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New Hires Quality Index: Women and Men, volume



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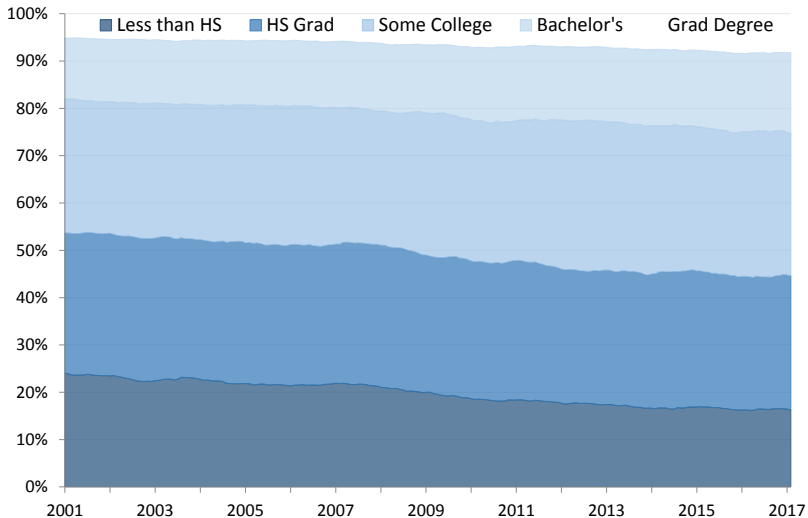
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- 5 In 2005, college graduates accounted for one-fifth of all hires; in 2016, they accounted for one-fourth

New Hires Quality Index: Volume by education



SOURCE: Upjohn Institute New Hires Quality Index

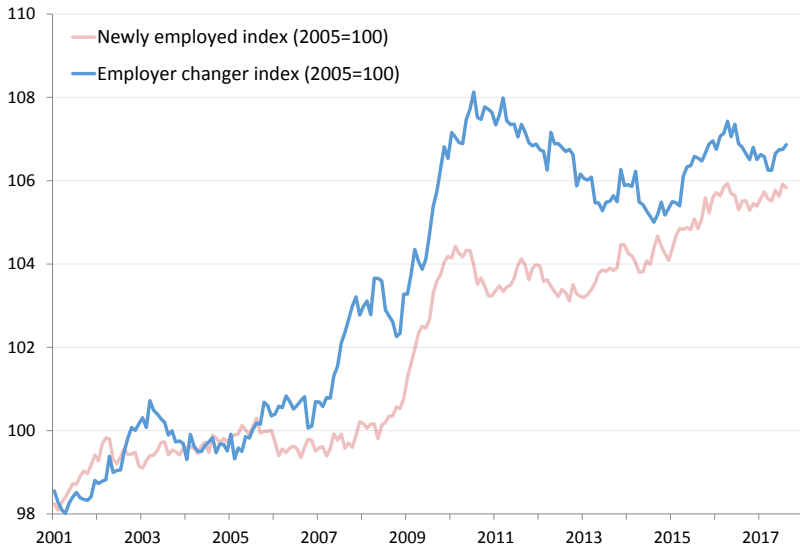
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- 6 Wage index gains have been comparable for newly employed and employer changers, but volume growth of former vastly outpaces that of latter

New Hires Quality Index: Index by Hire Type

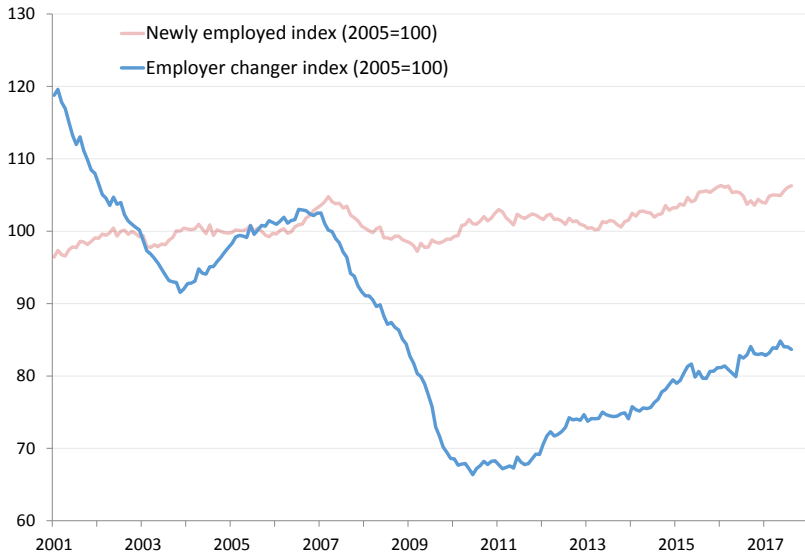


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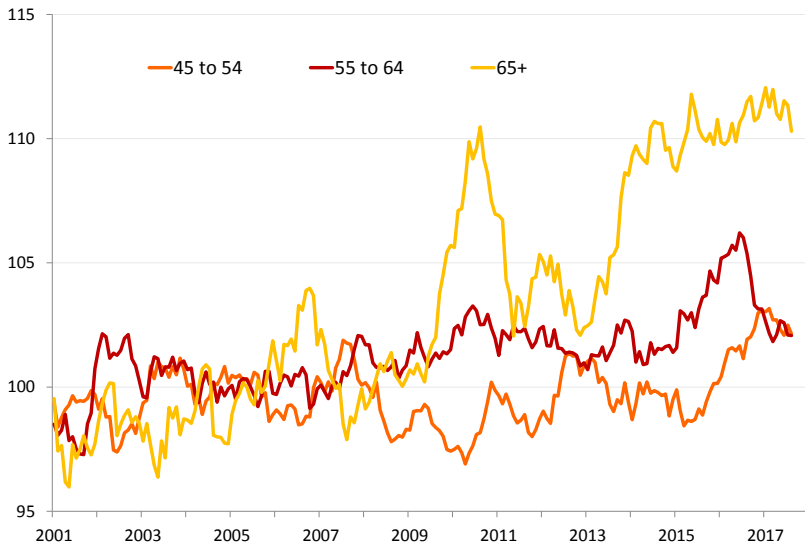
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- Index is currently calculated for 26 subgroups
 - Sex, age, education, sector, region, hire type
- In each case, wage index (level and time-standardized), volume, and wage bill are all available
- For age groups, per-capita hiring volume also available

NHQI: Index, by age (2005=100)

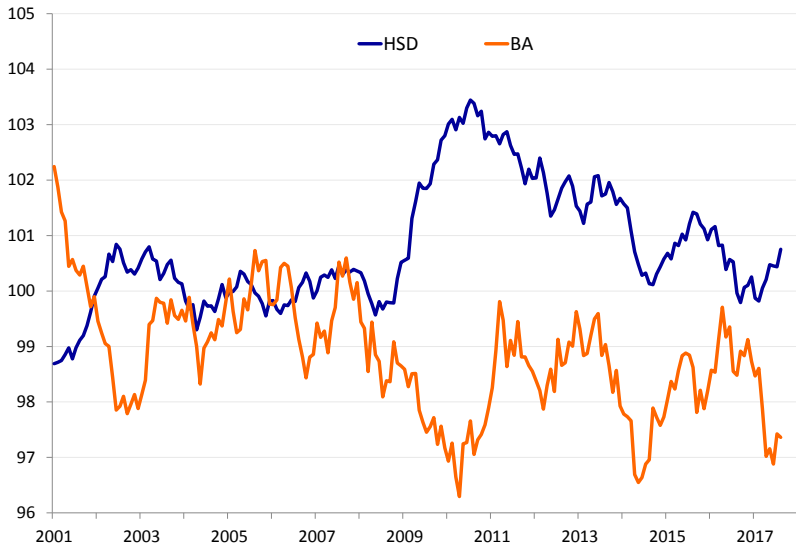


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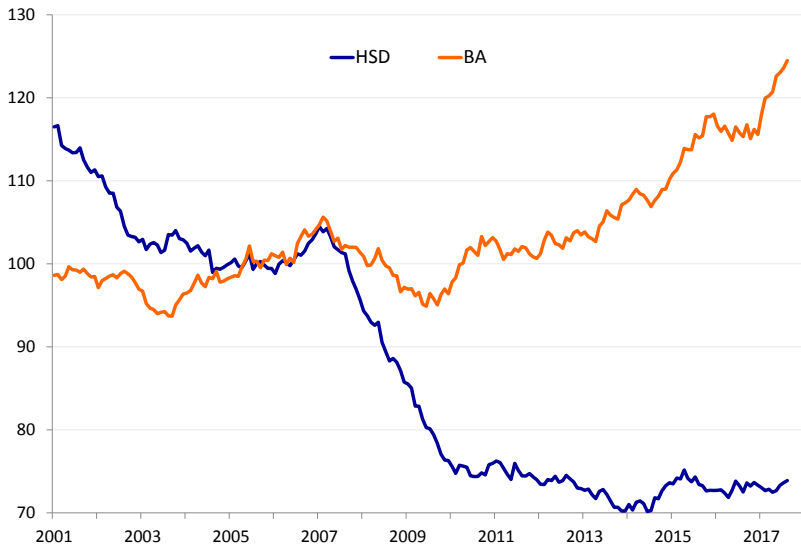


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- The Upjohn Institute New Hires Quality Index provides new and valuable information on job hires each month
- It complements existing measures of employment growth and worker wages
- It should be useful to policymakers, researchers, journalists, businesses, and workers

Full report, methodology, and interactive:
www.upjohn.org/nhqi

Thank you!